

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE NOLIN RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AUTHORITY)
TO BORROW THE SUM OF \$2,000,000.00 FROM)
THE FEDERAL FINANCING BANK OF THE)
UNITED STATES OF AMERICA, AND THE ADDI-)
TIONAL SUM OF \$1,441,000.00 FROM THE) CASE NO. 91-252
RURAL ELECTRIFICATION AUTHORITY, AND)
THE ADDITIONAL SUM OF \$617,340.00 FROM)
THE NATIONAL RURAL UTILITIES COOPERA-)
TIVE FINANCE CORPORATION; AND TO)
EXECUTE NOTES FOR SAID AMOUNTS)

INTERIM ORDER

Nolin Rural Electric Cooperative Corporation ("Nolin") filed its application on August 29, 1991 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow \$617,340 from the National Rural Utilities Cooperative Corporation ("CFC") and \$1,441,000 from the Rural Electrification Administration ("REA") and \$2,000,000 from the Federal Financing Bank ("FFB"), and to execute its notes to secure such loan.

In support of its application, Nolin filed its 1990-1992 Work Plan, which describes in detail the improvements and additions to plant that are required over the next 2 years to service its load. These improvements and additions are estimated to cost \$4,057,700 and will be financed by loans of \$1,441,000 from REA

and of \$2,000,000 from FFB and \$617,340¹ from CFC. A total of \$4,448 will be financed by Nolin's internally generated funds.

Nolin seeks authorization to construct extensions and additions to its plant as follows:

1. Conversions, tie lines and line changes.	\$ 743,050
Line Rehabilitation	341,250
2. Voltage Regulators	63,000
3. Sectionalizing Devices	23,400
4. New Member Extensions	2,178,000
5. Industrial Loads	24,000
6. Increased Capacity of Existing Consumers	376,000
7. Security Lights	108,000
8. Pole Replacements	165,000
9. Switches	<u>36,000</u>
TOTALS:	\$4,057,700

The proposed construction will enable Nolin to continue to provide adequate and dependable service to its customers. The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to correct voltage

¹ The borrowing from CFC includes the purchase of capital term certificates, in an amount equal to 2 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates. The purchases required of Nolin for this loan total \$12,347. The total amount of the REA, FFB and CFC loans equals \$4,058,340.

problems, improve phase balance, and provide for improved service reliability.

Nolin has advised the Commission that REA and CFC have yet to issue final authorization for the proposed loans. Evidence filed by Nolin included correspondence from FFB approving the loan. Therefore, the Commission will defer ruling on the proposed borrowing from CFC. Nolin should notify the Commission when it has received the requisite final loan approvals from REA and CFC. Its request for authorization to borrow from CFC will be considered at that time.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Public convenience and necessity require the construction by Nolin of the improvements and additions to its existing plant as described in its 1990-1992 Work Plan, and that a certificate should be granted.

2. The proposed loan from FFB is for lawful objects within the corporate purposes of Nolin, is necessary and appropriate for and consistent with the proper performance by Nolin of its service to the public, and will not impair its ability to perform that service.

3. Nolin is capable of executing its notes as security for the loan as stated herein.

4. Nolin should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

5. Nolin should notify the Commission in writing of the

interest rate program selected and of the reasons for its selection.

6. The proceeds from the proposed loan should be used only for the lawful purposes set out in Nolin's application.

7. Nolin should include in its monthly report to the Commission on the current rate on its outstanding variable rate loans.

8. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency do not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Nolin's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Nolin be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the construction and additions as set forth in its 1990-1992 Work Plan.

2. Nolin's application for authorization to borrow \$617,340 from CFC and to execute notes to secure such loan is continued generally.

3. Nolin shall inform the Commission every 60 days of the status of its loan application from CFC until it receives final loan approval.

4. Nolin be and it hereby is authorized to borrow \$2,000,000 from FFB for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Nolin, at the time the first monies are drawn from FFB, subject to the provisions and

terms of the application with respect to renegotiation of the interest rate.

5. Nolin be and it hereby is authorized to execute its notes as security for the loan herein authorized.

6. Nolin shall comply with all matters set out in Findings 4 through 7 as if they were individually so ordered.

Nothing contained herein shall be deemed as a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 6th day of December, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director